

Message Text

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ACTION STR-02

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TAGS: ETRP OVIP (EBERLE, WILLIAM D.)

SUBJ: AMB EBERLE'S PRESIDENTIAL ECONOMIC MISSION TO JAPAN

1. SUMMARY. JAPANESE MINISTERS DEEPLY APPRECIATED AMBASSADOR EBERLE'S VISIT TO EXPLAIN AND CONSULT ON NEW US ECONOMIC PROGRAM. ENERGY, FOOD, AND TRADE WERE PRIMARY TOPICS OF INTEREST TO JAPANESE. THEY WELCOMED US ASSURANCES ON FOOD SUPPLIES AND WERE RELIEVED US HAD NO SPECIFIC DEMANDS ON JAPAN IN ENERGY AND TRADE FIELDS. END SUMMARY.

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2. AMBASSADOR EBERLE AND MEMBERS OF HIS DELEGATION MET

SEPARATELY WITH MINISTERS OF FOREIGN AFFAIRS, FINANCE, MITI, EPA, AND AGRICULTURE AND FORESTRY OCT 14 AS WELL AS WITH SENIOR STAFF LEVELS OF THESE AGENCIES PREVIOUS EVENING. MINISTERS ALL WELCOMED OPPORTUNITY GET FIRST-HAND BRIEFING ON NEW US ECONOMIC PROGRAM. KIMURA AND OHIRA PARTICULARLY APPRECIATIVE OF US RESPONSIVENESS TO THEIR EARLIER REQUESTS THAT US KEEP JAPAN AND OTHER KEY COUNTRIES FULLY INFORMED OF US THINKING ON ECONOMIC POLICY. KIMURA AND OHIRA COMMENDED AMB. EBERLE'S ASSURANCE THAT THE BALANCED US PROGRAM WAS DESIGNED TO HELP THE AMERICAN ECONOMY WITHOUT SHIFTING COSTS ONTO OTHERS. THEY IN TURN ASSURED AMB. EBERLE THEY WOULD CONSULT PROMPTLY WITH US IF GOJ CAME TO CONCLUSION SOME CHANGE IN JAPAN'S ECONOMIC POLICY REQUIRED BY DOMESTIC OR INTERNATIONAL DEVELOPMENTS AND PLEDGED THEY WOULD DO THEIR BEST TO AVOID POLICY CHANGES WHICH MIGHT CONFLICT WITH US PROGRAM.

3. JAPANESE LEADERS LISTENED ATTENTIVELY TO AMB EBERLE'S PRESENTATION BASED ON 41-PAGE OCT 8 FACT SHEET (COPIES OF WHICH MADE AVAILABLE TO STAFF LEVELS OF ALL MINISTRIES). QUESTIONS FROM JAPANESE SIDE, NOT SURPRISINGLY, TENDED FOCUS PRINCIPALLY ON ENERGY, FOOD, AND TRADE.

4. ON ENERGY, THEY EXPLAINED JAPANESE IMPORT DEPENDENCE AND HIGH PERCENTAGE OF TOTAL ENERGY UTILIZATION BY INDUSTRY MADE LARGE CUT-BACKS EXTREMELY DIFFICULT. NAKASONE (MITI) PLEDGED SERIOUS JAPANESE EFFORT TO CONSERVE ENERGY AND CITED FOUR PERCENT OIL CONSERVATION FIRST HALF THIS YEAR PLUS RESERVE STOCK BUILDUP TO 72 DAYS. NAKASONE AND OTHERS WERE CLEARLY RELIEVED THAT, CONTRARY TO PRESS SPECULATION BEFORE EBERLE'S ARRIVAL, US HAD NO REQUEST FOR SPECIFIC JAPANESE OIL IMPORT CUT-BACK AND WELCOMED EBERLE'S AFFIRMATION THAT DECISIONS IN THIS FIELD MUST BE TAKEN BY EACH COUNTRY IN LIGHT OWN CAPABILITIES. NAKASONE URGED NEED FOR REAL DIALOG WITH OIL PRODUCERS AS QUICKLY AS POSSIBLE BUT DID NOT DISSENT FROM AMB EBERLE'S CAUTION THAT A CONSENSUS MUST FIRST BE REACHED BY QUIET CONSULTATIONS

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AMONG CONSUMERS. AMB EBERLE ADVISED JAPANESE OF US INTENTION OPEN NEW COAL MINING FACILITIES AND SUGGESTED GOJ LET US KNOW EXTENT OF JAPANESE INTEREST. NAKASONE SAID JAPAN'S ATOMIC ENERGY PROGRAM ON SCHEDULE AIMING FOR 60 MILLION KW BY 1985 AND NO MAJOR CHANGES CURRENTLY PLANNED (SITE DIFFICULTIES MENTIONED).

5. ALL JAPANESE MINISTERS STRESSED VITAL IMPORTANCE

TO JAPAN OF US FOOD SUPPLIES AND WERE GRATIFIED TO RECEIVE AMB EBERLE'S ASSURANCES US ABLE MEET CONSUMPTIVE NEEDS OF TRADITIONAL IMPORTERS, INCLUDING JAPAN, ALONG LINES BILATERAL DISCUSSION IN WASHINGTON WITH JAPANESE AGRICULTURAL TEAM IN AUGUST. PRESIDENT FORD'S DETERMINATION TO AVOID EXPORT CONTROLS ALSO WARMLY WELCOMED. MAF MINISTER KURAISHI ASKED US VIEWS ON WORLD FOOD CONFERENCE, ESPECIALLY HOW RESERVE STOCKS SHOULD BE HANDLED. EBERLE REPLIED US HAS NO FIXED POSITION AT MOMENT ALTHOUGH WE EXPECT RESPONSIBILITIES WILL HAVE TO BE SHARED.

6. US-JAPAN TRADE NOT DISCUSSED IN DEPTH. NAKASONE TOLD EBERLE GOJ TRYING TO AVOID ANY BIG PROBLEM FOR US IN THIS AREA AND EXPRESSED VIEW JAPANESE BILATERAL SURPLUS OF SOME \$800 MILLION SO FAR THIS YEAR ISN'T IN SAME LEAGUE WITH 1972 WHEN JAPAN'S \$4 BILLION PLUS SURPLUS LED TO SO MUCH TENSION. IN GLOBAL BALANCE OF PAYMENTS TERMS, NAKASONE ANTICIPATED JFY 74 WOULD END UP WITH A TRADE SURPLUS BUT A CURRENT ACCOUNT DEFICIT OF \$3.7-3.8 AND OVERALL DEFICIT OF ABOUT \$6 BILLION. NAKASONE SAID JAPANESE PEOPLE ARE BEGINNING TO BE ASHAMED OF HIGH GROWTH RATES OF PAST DECADE AND HE BELIEVES THEY WILL ADJUST TO LOWER GROWTH; HIS OWN PREDICTION IS JFY 75 WILL PRODUCE 2 OR 3 PERCENT OR 4-5 PERCENT MOST, AFTER BELOW ZERO GROWTH IN JFY 74.

7. EPA MIN UCHIDA SAID EBERLE'S PRESENTATION WOULD BE USEFUL IN DEVELOPING JAPAN'S POLICY AND AGREED US AND JAPAN MUST NOT WORK AT CROSS PURPOSES. HE TERMED JAPAN'S CURRENT STAGNATION "STARK" AND INFLATION SO "FORMIDABLE" THAT GOJ TARGET CANNOT BE AS AMBITIOUS AS THAT OF US BUT JAPAN HOPES RATE OF INFLATION CAN BE LIMITED OFFICIAL USE

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REDUCED TO 15 PERCENT BY NEXT MARCH. UCHIDA SAID JAPAN NEEDS A BALANCED ECONOMIC PROGRAM LIKE US. PRESENT GOJ INTENTIONS ARE TO MAINTAIN TIGHT MONEY POLICY UNTIL MID-1975 WITH TARGET OF ABOUT 6 PERCENT ANNUAL GROWTH RATE THEREAFTER.

8. ONLY OVERT EXPRESSIONS OF SOME SKEPTISICM ABOUT US PROGRAM CAME FROM SENIOR STAFF LEVELS OF FOREIGN MINISTRY WITH BOTH TSURUMI AND MIYAZAKI QUESTIONING WHETHER CONGRESS WILL PASS REQUISITE LEGISLATION AND, IF NOT, WHAT HAPPENS TO THE DELICATE BALANCE BETWEEN INFLATIONARY AND DEFLATIONARY ELEMENTS OF US PROGRAM. THEY TOOK NOTE OF AND OF COURSE WELCOMED AMB EBERLE'S ASSESSMENT THAT TRADE BILL WILL BE PASSED BEFORE END OF YEAR.

9. FOREGOING REPORT PREPARED AFTER AMBASSADOR
EBERLE'S DEPARTURE AND NOT CLEARED BY HIM. PRESS
COVERAGE SEPTEL.
HODGSON

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